

Message Text

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ORIGIN SS-30

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TO AMEMBASSY KINGSTON NIACT IMMEDIATE

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C O N F I D E N T I A L STATE 099417

EXDIS TOSEC 601

E.O. 11652: GDS

TAGS: EMIN, PINT, US, JA

SUBJECT: BAUXITE NEGOTIATIONS

FOR THE CHARGE

1. AT EARLIEST OPPORTUNITY YOU SHOULD SEEK AN APPOINTMENT
WITH THE PRIME MINISTER TO MAKE THE FOLLOWING POINTS:

A. -- WE CONTINUE TO BE MOST GRATEFUL TO THE PM AND HIS
GOVERNMENT FOR KEEPING US APPRISED OF THE PROGRESS OF THE
NEGOTIATION BETWEEN THE GOJ AND THE ALUMINUM COMPANIES AND
ARE GRATIFIED THAT HE HAS CONSENTED TO MEET WITH THE
PRINCIPALS OF THE COMPANIES.

B. -- WE HAVE IN OUR CONVERSATIONS WITH COMPANY REPRESENTATIVES
EMPHASIZED THE SERIOUSNESS WITH WHICH WE VIEW THESE NEGOTIATIONS
AND THE IMPORTANCE WE ATTACH TO EXHAUSTING EVERY POSSIBILITY OF
REACHING AGREEMENT.

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C. -- THE NEGOTIATIONS ARE OBVIOUSLY AT A CRITICAL

JUNCTURE AND WE HOPE THAT BOTH SIDES WILL NOW DO THEIR
UTMOST TO ACHIEVE AGREEMENT WITHIN AVAILABLE TIME. WE HAVE
MADE THE SAME POINT TO THE COMPANIES.

D. -- WE CONTINUE TO REMAIN SERIOUSLY CONCERNED OVER A
POSSIBLE UNILATERAL IMPOSITION OF REVENUE FORMULAE. THE
USG COULD NOT REMAIN INDIFFERENT TO SUCH AN OUTCOME, WHICH
WOULD TRIGGER A PUBLIC AND BUSINESS REACTION IN THE U.S.
NEITHER WE NOR THE JAMAICAN GOVERNMENT COULD CONTROL.
BOTH JAMAICA AND THE U.S. WOULD HAVE FEW OPTIONS IN THAT
EVENT. WE BELIEVE THAT THERE IS AN OVERRIDING INTEREST
IN AVOIDING SUCH AN OUTCOME.

E. -- WE HAVE NOT TAKEN ANY SUBSTANTIVE POSITION ON THE
POSITIONS TAKEN BY THE TWO SIDES. NOR DO WE WISH TO
QUESTION THE BASIS OF THE ASSUMPTIONS UNDERLYING EACH
POSITION. WE DO, HOWEVER, WISH TO MAKE THE POINT THAT
THESE ARE ASSUMPTIONS, WHICH ONLY TIME CAN VALIDATE,
ONE WAY OR THE OTHER. WE DO NOT BELIEVE IT WOULD BE IN
JAMAICA'S INTEREST TO COMMIT ITSELF TO FORMULAE WHICH
MIGHT:

-- PREVENT THE COMPANIES FROM MAKING A REASONABLE
RETURN, SUCH AS WOULD PERMIT EXPANSION

-- MAKE OTHER SOURCES MORE ATTRACTIVE

-- MAKE ALUMINUM RELATIVELY LESS COMPETITIVE

-- HAVE HARMFUL EFFECTS ON THE WORLD ECONOMY.

2. FYI. MATALON CALLED EAGLEBURGER JUST AFTER NOON
MAY 13 TO REPORT THAT THE TWO SIDES WERE STILL FAR APART
FOLLOWING THEIR NEGOTIATIONS ON MAY 12 AND MORNING MAY 13.
COMPANIES HAD, HOWEVER, PROPOSED A MEETING BETWEEN PRIME
MINISTER AND CHIEF EXECUTIVE OFFICERS. TIMING HAS NOT
YET BEEN WORKED OUT BUT IT APPEARS THAT MEETING WILL TAKE
PLACE LATE AFTERNOON, SOMETIME AFTER FOUR P.M. TUESDAY,
MAY 14. YOU SHOULD MAKE ABOVE POINTS TO PRIME MINISTER
AS MUCH IN ADVANCE OF HIS MEETING WITH CEO'S AS POSSIBLE.
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LET US KNOW WHEN YOU WILL BE DOING THIS SO THAT WE MAY
MAKE STRONG PARALLEL APPROACH TO CHARGE HILL IN WASHINGTON.
END FYI. RUSH

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